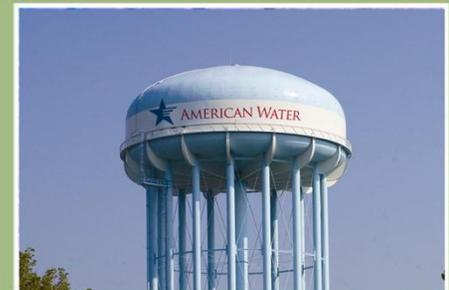
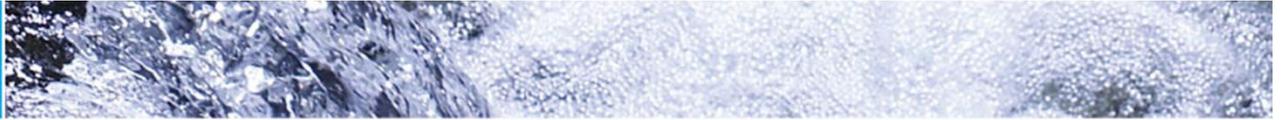


AMERICAN WATER

The Stimulus Package: What is the Effect upon Companies and States?

Don Correll, President and CEO, American Water
President, NAWC
NAWC National Drinking Water Symposium
Orlando, Florida
October 12, 2009



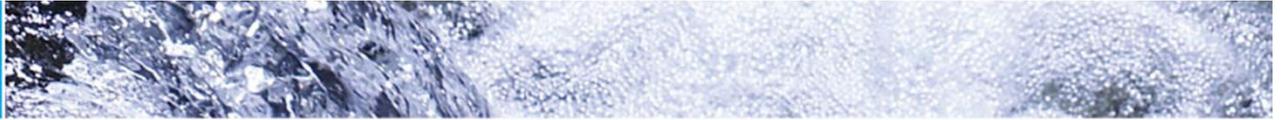


Capital Investment is the Major Challenge of the Water/Wastewater Industries for at Least the Next 20 Years

- USEPA estimates that the 20 year infrastructure replacement needs for the water/wastewater industries could approach \$1 Trillion

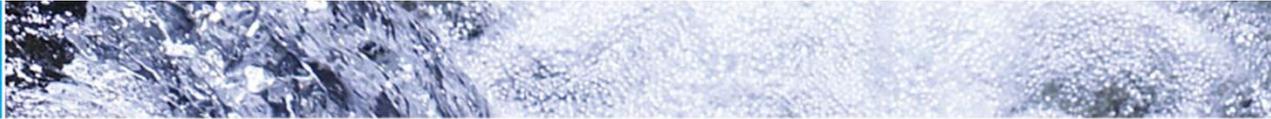
Focus on Tax Policy vs. Government Grants

- NAWC approach to preserving and stimulating continued investment in water and wastewater infrastructure is focused on using tax policy to reduce the cost of capital (by reducing tax burden) or to provide more timely recovery of capital (through depreciation)



NAWC Infrastructure Initiatives

- **Investment Tax Credits:** A 10% investment tax credit on all investments in water and wastewater infrastructure for the next three years
- **Public Utility Dividend Reinvestment Plans:** A five year deferral of tax on dividends for all public utility dividends that are reinvested in infrastructure replacement
- **Tax Exempt Financing:** Lifting the cap on Private Activity Bonds for all water and wastewater investments
- **Depreciation/Bonus Depreciation:** A 50% increase, or more, in depreciation rates for infrastructure replaced over the next three years
- **State Revolving Loan Funds:** An increase funding of these programs and insure access to all providers of water and wastewater services



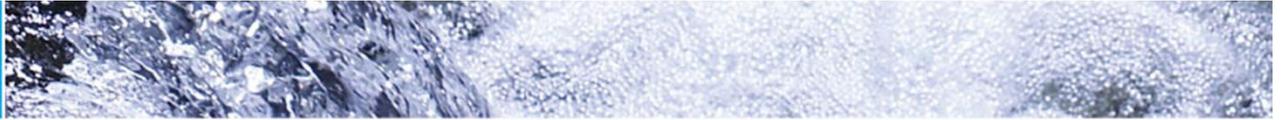
NARUC Executive Committee Supports Tax Incentive Initiatives

On December 31, 2008, the NARUC Executive Committee sent a letter to senate leaders and other appropriate legislators supporting the economic stimulus initiatives:

%Congress should incorporate these mechanisms into any economic stimulus package. This will assure all Americans continue to receive high quality water and wastewater services.

• • •

Individually, each of these proposals would infuse needed capital into water and wastewater systems. Taken together they would be a major advance towards meeting the trillion dollar investment needed over the next twenty years to assure build out and maintenance of critical water infrastructures. NARUC is committed to working with Congress to ensure that sufficient funding is available for these critical investments in our nation's future. We urge Congress to take this unique opportunity to direct stimulus monies to one place where is unequivocally needed: water and wastewater infrastructure. We appreciate your attention to these issues."



Status of Stimulus Package Tax Incentives – Some success on each of the following:

- **Private Activity Bonds (PAB):** cap increased by \$15b
- **Bonus Depreciation Provision Extension:** 50% write-off for the cost of certain equipment purchased/used in 2009/2010
- **Alternative Minimum Tax (AMT) Exemption on Tax Exempt Bonds:** PABs exempt for 2009 and 2010 (includes refunding of bonds issued between 2004-2009) . conditions apply
- **State Revolving Loan Funds (SRF):** \$2b increase in drinking water SRF (private utilities not eligible in some states); \$4b increase for wastewater SRF (private utilities not eligible in any state)